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453 The Hong Kong branches of the Young
652 Brothers Banking Corporation and of the Ho Chen Bank are still allowed to operate. Other Hong Kong branches of the component banks which likewise continue to function are: Kincheng Banking Corporation, Yieh Yieh Commercial Bank, China and South Sea Bank, Sin Hwa Savings Bank, the China State Bank, the National Commercial Bank, and the National Industrial Bank. The desire of the Communists to maintain as many interests in Hong Kong as possible accounts for the continued operation of these branches, in spite of their handling only small deposits and remittances.

G. Credit Co-operatives

452 Credit co-operatives in rural areas have
474 experienced tremendous growth since 1954. The number throughout the country increased from about 13,000 at the end of 1953 to 153,400 in June 1955.[7] According to Communist statistics, credit co-operatives exist in about 80 per cent of the more than 2,000 counties in the country and have a membership of nearly 100,000,000.

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7. Ta-kung Pao, Tientsin, Oct. 6, 1955.

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452 In October 1955, there were 6,100
474 credit co-operatives in Szechwan[8] and 5,691 in Yunnan.[9] The number in Kweichow was reported to be smaller, but no exact figures are available.

Two other types of credit co-operative organizations function on a lower level -- credit departments attached to supply-marketing co-operatives, and credit mutual-aid teams. The former have neither separate membership nor independent capital and depend for their operating funds on deposits or special funds appropriated by the co-operatives concerned. The latter consists of a group of farmers, each of whom subscribes an equal amount of capital for loans to group members. Credit is granted on the approval of subscribers and is redeemed in installments.

Although the publicized objectives of the Communists' promotion of credit co-operatives are to aid the peasants' financial needs for production and daily living and to

8. New China News Agency release, Chengtu, Oct. 11, 1955.
9. Ibid., Kunming, Oct. 27, 1955.

452 474 eliminate exploitation by usurers, disinterested observers, have doubts as to how far such means can or will go in meeting these problems. The doubts arise principally because of the government's frequently expressed desire to utilize credit co-operatives to pool idle capital in rural areas as government operating funds, which appear to be almost non-existent.

H. Chinese People's Insurance Company

456 According to the Communists, the state-operated Chinese People's Insurance Company is considered as a component of the entire Communist financial system. It has the functions of organizing scattered funds for the industrialization of the state, and of establishing a centralized insurance fund to compensate losses from natural calamities or accidents sustained by individual policy holders or economic units. The Chinese People's Insurance Company was established on October 20, 1949, and simultaneously the elimination of privately owned and foreign-operated insurance firms was begun. Branch offices and subordinate offices of the Chinese People's Insurance Company were established throughout the country, and branches of the People's Bank and other bank were appointed agents of the state-operated insurance company.

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453 opened by private enterprises or individuals
652 until October 3, 1955. On that date, it was reduced to 2.88 per cent to "implement the strict practice of economy".[11] Indeed cash control has been so effective that the inducement of high interest is no longer necessary to encourage the banking of excess cash.

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652 The People's Bank also vigorously encouraged saving. Many subordinate offices were established for this express purpose, and their officers visited residents in the vicinity to solicit deposits. In rural areas, quotas for increasing savings deposits were set for each county, which, in turn, fixed quotas for each village and household. After the enforcement of the state plan for the unified and compulsory purchase of grain, cotton, and oil-bearing crops, canvassing for rural savings by banks in conjunction with credit co-operatives was accentuated with the hope of absorbing the purchase proceeds into the bank. It is interesting to note that the People's Bank, at the time it issued the new currency in March 1955, provided in its Savings Deposits Regulations for maintaining secrecy concerning depositors and their funds. The bank

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11. New China News Agency release, Peking, Oct. 3, 1955.

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and its agencies became responsible for guarding in closest secrecy the names, addresses, specimens of signatures and seals, amounts of deposits, identities of depositors, and particulars on the receipt or payment of money for savings depositors. This indicates the extent to which the Communists were prepared to go to induce deposits.

According to a Communist report, bank deposits in China's cities at the end of August 1955 amounted to more than 1,440 million yuan (over US$576 million) mostly in fixed deposits. There was no explanation as to whether the fixed deposits included savings deposits. The number of depositors in the seven major cities of Peking, Tientsin, Shanghai, Wuhan, Canton, Chungking, and Sian was reported to have been 4.8 times higher in the first six months of 1955 than in the same period of 1954.[12] One report shows that savings deposits in the third quarter of 1954 amounted to 610 billion yuan (old currency; about US$24.4 million) in Szechwan[13] and 216 billion yuan (old currency, about US$8.6 million) in Yunnan.[14] Per capita savings in Szechwan (population 62,303,999) amounted to

12. Ibid.
13. Ta-kung Pao, Tientsin, Oct. 19, 1954.
14. Ibid., July 27, 1954.

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452 US$0.40 and in Yunnan (population 17,472,737) 652 to US$0.50.

B. Credit Control

During the first years of Communist rule, when the power of granting credit was concentrated in the head office of the People's Bank at Peking, the Southwest China regional office of the bank had more power of decision on credit matters because it was remote from the financial and political capital; yet important matters had to be referred to the Financial and Economic Committee of the Greater Southwest Region Administration.

Since the adoption by the People's Bank, in 1953, of a decentralization policy on credit extension, followed by the abolition of the Greater Regional Administration in 1954, the branch office of the bank in each province has had the power and responsibility to extend credits. In applying for a loan, public enterprises and co-operatives are required to provide the branch office with a budget outlining credit needs and a plan estimating the extent to which the proposed project will increase production, raise labor productivity, and lower production costs. Credits are classified according to their duration (short, long, or seasonal) and use; borrowers are required to adhere to the terms expressed in the contract.

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453 the interest rate was reduced on October 3,
652 1955, it remained as high as 11.88 per cent for private industry and 16.2 per cent for private commerce,[15] double the rate charged for public industry and commerce.

The Communist regime's accession to control of rural credit through the instrument of the People's Bank seems to have been an easy task. The large-scale landlords and retail merchants, who had been the most important source of rural credit, particularly in Szechwan and Yunnan, were stripped of their wealth if not of their lives; the newly emerged rich peasants were drained of their limited funds by compulsory subscriptions to savings deposits, government bonds, and various patriotic drives. Moreover, the so-called fixed purchase of grains, cotton, and oil-bearing crops barred the peasants from accumulating any kind of savings which might be loaned.

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652 The vigorous Communist drive to increase participation in credit co-operatives aims at utilizing the peasants' own funds for the extension and control of rural credits. This

15. New China News Agency release, Peking, Oct. 3, 1955.

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objective is indicated in a directive issued on September 12, 1955 by the head office of the People's Bank to its branches,[16] stating that branches must guide credit co-operatives in encouraging savings deposits for the use of rural credits in the coming year. The branches also were ordered to collect matured long-term credits prior to the start of government crop purchases. This directive indicates that the Communists use the withdrawal of rural credits as a weapon to force peasants to sell their products to the government.

In 1955, rural credit was extended at the following interest rates:[17]

Agricultural production co-operatives	7.2% per annum
Producer mutual-aid teams	9.0% per annum
Individual peasants	10.8% per annum
Very poor peasants	9.0% per annum

16. Peking broadcast, Sept. 12, 1955.
17. New China News Agency release, Peking, Nov. 3, 1955.